



**REVIEW OF ARTICLE X
SECTIONS 16 THROUGH 24
CONSTITUTION OF MISSOURI
YEAR ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-28
April 15, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2002

The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2001.

In regard to past notable court actions, on January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of total state revenue unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri, et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and total state revenue. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.

The OA-BP has excluded \$338.23 million in fiscal year 2001, which was received under the Tobacco Master Settlement Agreement. The OA-BP believes these receipts should be excluded from total state revenue because the amounts represent a recovery cost. We analyzed three extensive research projects conducted by experts which concluded the state incurred more costs attributable to smoking in the Medicaid program than the amount received from the tobacco settlement. As a result, the entire amount received from the tobacco settlement is properly coded as a recovery cost and excluded from total state revenue.

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YELLOW SHEET

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Jacquelyn D. White, Commissioner
Office of Administration
Jefferson City, MO 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2001, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as an Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 2000. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and compare that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our review was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we held discussions with personnel of the Office of Administration, Division of Budget and Planning, inspected relevant records and reports compiled by that office, and reviewed reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the following Exhibits are fairly stated in all material respects.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The following Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Constitution of Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 5, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2001, 2000, 1999, 1998, and 1997. The calculations for years prior to 1998 have been changed to comply with a Supreme Court decision as further explained below.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

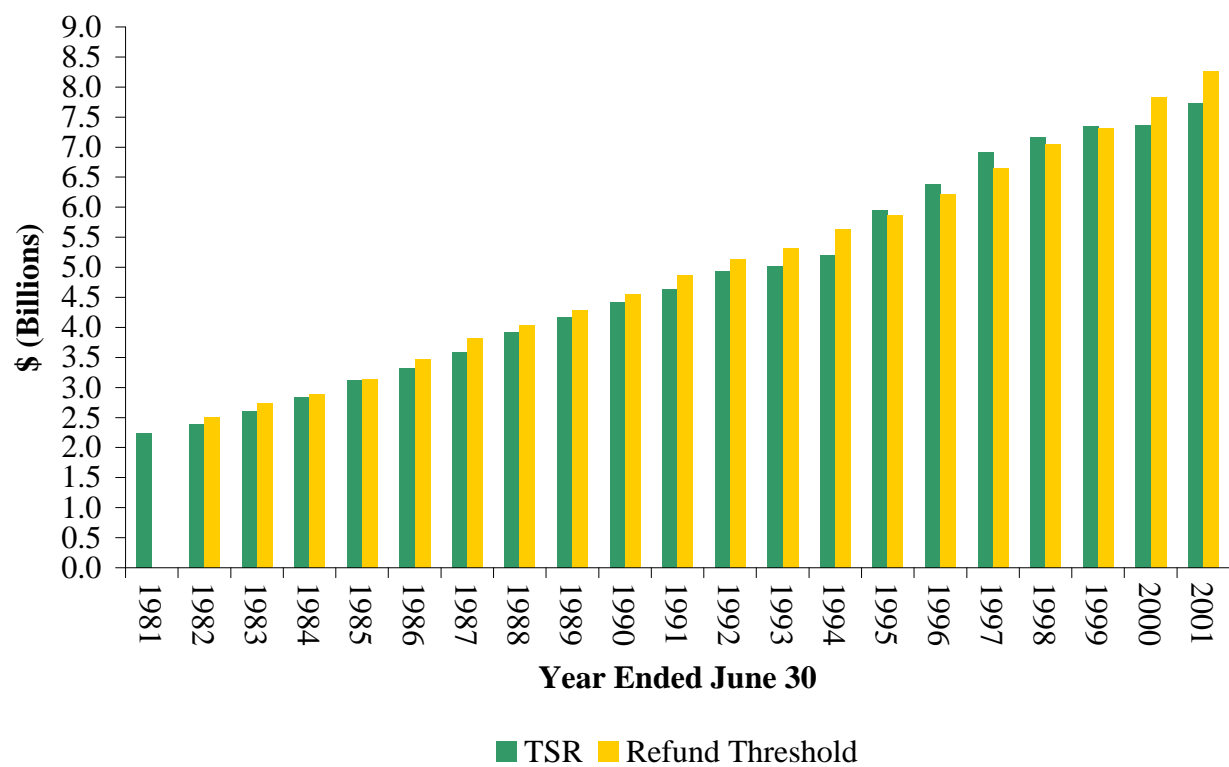
This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state has decided not to recalculate TSR for those years. However, for fiscal year 1998, the state has excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that

tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. Starting in fiscal year 2001, the OA-BP has included certain tax credits in the calculation of total state revenue.

The OA-BP has excluded \$338.23 million in fiscal year 2001, which was received under the Tobacco Master Settlement Agreement. The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery cost. We analyzed three extensive research projects conducted by experts which concluded the state incurred more costs attributable to smoking in the Medicaid program than the amount received from the tobacco settlement. As a result, the entire amount received from the tobacco settlement is properly coded as a recovery cost. This issue is discussed in more depth later in this report.



EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS
FIVE YEARS ENDED JUNE 30, 2001
(IN MILLIONS)

		Year Ended June 30,				
		1997	1998	1999	2000	2001
TOTAL STATE REVENUE (TSR)						
Total state receipts	\$	13,225.70	14,162.44	15,076.69	15,871.29	17,360.76
Less excluded revenue		(5,765.43)	(6,360.21)	(6,846.96)	(7,442.20)	(8,632.31)
Less expenditure refunds		(551.53)	(647.09)	(886.05)	(1,057.35)	(1,066.85)
Add refundable tax credits		0.00	0.00	0.00	0.00	78.04
TSR	\$	6,908.74	7,155.14	7,343.68	7,371.74	7,739.64

REVENUE LIMIT AND REFUND THRESHOLD

Missouri personal income	\$	116,154.00	123,280.00	127,795.00	136,754.00	144,389.00
Base year ratio	x	0.056395	0.056395	0.056395	0.056395	0.056395
Base limit		6,550.50	6,952.38	7,207.00	7,712.24	8,142.82
Judicial article amendment		33.98	36.02	37.82	39.70	43.52
Revenue limit		6,584.48	6,988.40	7,244.82	7,751.94	8,186.34
1 percent adjustment		65.84	69.88	72.45	77.52	81.86
Refund threshold	\$	6,650.32	7,058.28	7,317.27	7,829.46	8,268.20

REFUND CALCULATION

TSR	\$	6,908.74	7,155.14	7,343.68	7,371.74	7,739.64
Less refund threshold		6,650.32	7,058.28	7,317.27	7,829.46	8,268.20
Over (Under) Threshold		258.42	96.86	26.41	(457.72)	(528.56)
1 percent adjustment		65.84	69.88	72.45	0.00	0.00
Refund	\$	324.26	166.74	98.86	0.00	0.00

See the accompanying Notes to the Exhibits.

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue		Year Ended June 30,	
			2000	2001
1001	Sales and use tax	\$	1,711,735,812	1,732,305,234
1003 (l)	Parks sales and use tax		34,747,135	35,230,980
1005 (k)	Soil and water sales and use tax		34,746,972	35,230,984
1007	General revenue reimbursements - local sales and use tax		2,579,696	3,010,856
1009	Motor vehicle sales tax		212,131,664	201,434,995
1011 (u)	Conservation sales and use tax		86,885,502	88,085,276
1013 (f)	Proposition C sales and use tax		682,981,580	689,313,928
1015	Sales and use taxes paid under protest		1,650,756	153,582
1022	Individual income tax		4,276,499,738	4,594,876,638
1024	Individual income taxes paid under protest		1,315	(293,191)
1026	Corporate income tax		443,212,366	365,348,758
1028	Corporate income taxes paid under protest		(284,067)	562,689
1033	County foreign insurance tax		146,759,514	139,319,912
1035	County stock insurance tax		0	0
1037	Worker's compensation insurance tax		19,082,046	3,633,190
1039	Worker's compensation insurance tax - second injury		36,035,166	40,002,911
1041	Excess lines of insurance tax		7,871,619	9,724,620
1049	Heavy beer tax		8,045,753	8,002,425
1051	Light beer tax		106,295	106,174
1053	Liquor tax		14,256,263	14,853,871
1055	Wine tax		2,930,608	2,949,469
1057	Cigarette tax		103,356,006	99,428,258
1059	Tobacco product tax		8,649,933	8,723,561
1060	Motor vehicle fuel tax		386,297,792	381,494,352
1060 (g)	Motor vehicle fuel tax		169,035,971	163,583,904
1060 (p)	Motor vehicle fuel tax		150,023,029	145,184,278
1062	Special fuel non-gas tax		2,617,137	1,393,208
1064	Aviation fuel tax		599,279	479,395
1070	Corporation franchise tax		78,165,764	71,862,773
1073	Estate tax		132,700,434	156,818,846
1074 (q)	Bingo tax		3,849,044	3,514,132
1076 (r)	Gaming commission gross receipts tax		178,423,987	187,786,857
1080	Real and personal property tax		16,062,211	17,630,096
1082	Delinquent real and personal property tax		2,368,166	1,788,078
1084	Hazardous waste tax		2,191,446	3,237,913
1088	Nursing facility reimbursement allowance		6,643,749	8,904,840
1090	Federal reimbursement allowance		11,914,000	16,871,529
1092	Payments in lieu of taxes		300,000	300,000
1093	Athletic events tax		280,226	120,127
1095	Surcharges		0	207,500
1097	Agency collected sales taxes		106,626	109,032
1099	Other taxes		174,489	127,947
1100	Professional licenses or permits		14,899,229	20,801,980
1102	Recreational licenses or permits		3,982,073	3,769,226

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1104	All-terrain vehicle licenses or permits	124	250
1106	Motor vehicle licenses or permits	161,503,917	189,285,982
1108	Interstate transportation licenses or permits	60,695,858	54,135,803
1108 (g)	Interstate transportation licenses or permits	4,947,537	5,036,883
1110	Driver's licenses or permits	17,693,434	20,320,279
1112	Land reclamation commission permits	431,593	438,550
1114	Salesman licenses or permits	3,402,585	3,835,926
1116	Vehicle and boat manufacturer and dealer licenses	905,896	911,535
1118	Liquor licenses or permits	3,666,225	3,670,395
1120	Gaming commission licenses	2,195,634	1,804,602
1122	Beer licenses or permits	12,997	12,256
1124	Motor carrier licenses	2,836,180	2,789,015
1126	Hunting and fishing licenses and commission permits	27,337,935	27,139,361
1127	Hunting and fishing special tags	1,315,350	1,232,849
1128	Hazardous waste transporter licenses	402,725	367,565
1130	Water pollution control permits	2,136,218	2,622,026
1132	Overdimension/overweight permits	4,828,860	4,493,852
1134	Merchant licenses	811,482	983,772
1136	Tobacco licenses	22,700	23,900
1138	Temporary licenses	1,175	1,600
1140	Duplicate plates	1,477	1,278
1149	Other licenses and permits	2,359,154	2,462,292
1150	Lobbyist registration fees	1,760	2,310
1152	Motorboat fees	5,550,804	5,495,087
1154	Narcotics and dangerous drugs fees	678,240	670,267
1156	Occupational boards exam fees - individual exam fees	131,032	448,657
1160	Non-motor fuel decal fees	520,725	162,590
1162	Filing fees	14,471,503	14,368,725
1164	Transfer fees	30,272	23,384
1169	Other registration fees	11,219,536	12,592,642
1174	Asbestos fees	259,101	251,264
1178	Milk control fees	55,451	87,729
1180	Home health care license fees	132,600	127,200
1182	Nursing home license fees	147,267	131,977
1184	Title V emissions fees	4,522,691	6,410,168
1185	Emission fees/non Title V facilities	1,116,242	496,654
1186	Boarding home license fees	743,567	715,364
1188	Public utilities fees	21,432,233	20,572,444
1190	Hospital license fees	90,528	90,225
1192	Grain warehouse license fees	36,295	35,465
1194	Missouri primacy fees	2,496,191	2,485,763
1196	Underground storage tank annual participation fees	1,233,560	1,170,584
1198	Transport load fees	14,352,974	13,841,740
1200	Storage tank registration fees	260,059	269,535

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1202	Tourist cabin permit fees	142,685	146,067
1206	Solid waste disposal fees	9,490,126	9,687,293
1208	New tire fees	1,968,304	2,010,702
1210	Ground water protection fees	524,281	474,974
1212	Water and sewage fees	0	0
1214	Insurance regulatory fees, renewals and purchasing groups	1,907,337	1,952,584
1216	Air conservation commission permit fees	313,418	252,357
1218	Bingo license fees	71,890	74,525
1220	Lab fees	1,514,785	1,374,311
1222	Program administration fees	813,724	771,929
1223	Confined animal feed operation indemnity fees	40,321	50,641
1224	Railroad assessments	705,384	664,373
1227	Enhanced vehicle emission inspection fees	375,241	1,821,791
1229	Beverage inspection fees	430,452	452,694
1233	Grain warehouse inspection fees	1,456,065	1,485,938
1235	Milk inspection fees	1,530,402	1,420,596
1237	Ice cream products inspection fees	32,845	21,180
1239	Mine inspection fees	91,251	77,508
1241	Mobile home and recreational vehicle inspection fees	288,790	266,188
1243	Oil inspection fees	2,422,783	2,400,864
1249	Other inspection fees	918,601	1,060,908
1250	Collection fees	24,176,296	16,887,480
1252	Admission fees	982,328	928,247
1252 (r)	Admission fees - Riverboat gambling	49,206,860	46,984,700
1254	State auditor fees	743,699	777,268
1260	Grade crossing safety fees	757,852	1,441,440
1262	Loan administration fees	1,963,020	2,156,065
1262 (c)	Loan administration fees - Fund 881	197,293	208,357
1264	Court fees	18,863,188	17,630,909
1266	Financial institutions examination fees	6,764,447	6,639,892
1268	Consumer finance license fees	677,700	625,100
1270	Transcript fees	141,467	125,225
1274	Marketing development fees	196,742	331,838
1276	Miscellaneous insurance fees	594,567	615,158
1278	Gaming commission administrative income	2,174	4,455
1279 (a)	Lottery commission fees	195,279	246,300
1280	Motor vehicle inspection sticker fees	4,013,513	3,777,264
1282	Logo sign advertising fees	3,241,796	3,399,742
1284	Public defender fees	918,393	885,419
1286	Witness fees	3,915	5,451
1288	County recorders fees	8,011,015	7,815,444
1290	Training or conference fees	25,003	49,414
1294	Electronic monitoring fee	801,843	1,287,591
1298	Substance abuse offender program fees	1,756,647	1,736,251

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1302	Criminal records check fees	3,317,577	3,602,868
1303	Other fees	3,311,554	4,953,977
1303 (c)	Other fees - Fund 880	3,660	0
1305 (h)	Bond sales proceeds	40,024,065	286,102,087
1310	Land sales	1,330,053	2,490,321
1312	Sales of natural resources products	3,040,229	2,420,275
1314	Sales of agriculture products	1,793,736	1,768,337
1316	Manufactured product sales	12,203,435	14,266,711
1318	Information sales	3,672,650	3,770,665
1320	Souvenir sales	620,200	687,074
1322	Surplus property sales - State	3,924,703	4,645,129
1322 (a)	Surplus property sales - State - Lottery Fund 657	137,302	110,726
1322 (aa)	Surplus property sales - State - Fund 710	573,282	1,148,683
1324	Surplus property sales - Federal	1,953,910	2,430,759
1324 (c)	Surplus property sales - Federal - Fund 880	0	210
1328	Sales of fixed assets - control (used by the system only)	6,703,573	5,748,170
1330	Vital records sales	1,281,566	1,220,807
1332 (a)	Lottery ticket sales	278,290,515	256,549,705
1334	Cafeteria sales	685,678	716,482
1338	Other sales	215,465	199,983
1401	Land rentals/leases	5,226	0
1403	State facilities rentals/leases	679,339	881,705
1404	Parking rentals/leases	123,796	83,948
1405	Concessions and recreational rentals/leases	2,497,975	2,443,321
1407	Housing/building rentals/leases	377,587	352,936
1409	Other leases and rentals	1,516,822	1,228,246
1414 (e)	Medicare	8,692,048	9,430,293
1416 (e)	Medicare - community based	406,508	430,198
1418 (e)	Medicaid	62,838,731	65,415,461
1419 (e)	Medicaid - case managers	0	0
1420 (e)	Medicaid - community based	62,380,747	52,083,505
1422	Private Payments	6,919,977	7,728,151
1424	Insurance payments	1,759,775	2,268,896
1426	Other payments	900,723	446,888
1434	Institutional support fees	55,980	30,527
1436	Room and care	13,155,285	15,344,355
1438	Fleet services operations/maintenance	0	8,384
1442	Mail/freight services	0	1,100
1446	Printing service	0	42,792
1448	Computer services	0	3,321
1501	Private donations	3,950,259	5,259,549
1502	Other governmental entity donations	24,852	134,865
1507 (e)	Nasao (airport inspections)	22,102	0
1510 (e)	US Department of Agriculture	560,196,906	295,168,578

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1512 (e)	US Department of Defense	2,106,505	1,691,666
1514 (e)	US Department of Housing and Urban Development	50,354,645	48,660,402
1516 (e)	US Department of Interior	17,245,212	15,829,317
1518 (e)	US Department of Justice	10,751,283	3,828,766
1520 (e)	US Department of Labor	25,814,992	80,665,476
1522 (e)	US Department of Education	365,963,223	426,076,140
1522 (c)	US Department of Education - Fund 626	17,638,453	0
1522 (c)	US Department of Education - Fund 880	0	4,335,597
1522 (c)	US Department of Education - Fund 881	0	22,349,908
1524 (e)	US Department of Transportation	652,918,051	630,676,395
1526 (e)	National Foundation for the Arts and Humanities	3,686,964	3,299,112
1528 (e)	US Veterans Administration	32,052,514	16,319,105
1530 (e)	US Environmental Protection Agency	50,826,223	77,684,564
1532 (e)	US Department Of Energy	5,917,842	5,743,072
1534 (e)	Federal Emergency Management Agency	11,331,901	9,514,458
1536 (e)	US Department of Health and Human Services	3,064,483,249	3,619,855,729
1538 (e)	National and Community Services	76,600	0
1540 (e)	US Social Security Administration	31,178,359	30,589,459
1549 (e)	Miscellaneous federal revenues	21,281,830	24,209,426
1551	County mental health programs	5,527,382	5,671,302
1560 (e)	Federal pass-through grants	37,845,336	41,039,012
1601	Time deposits interest	16,251,174	23,742,120
1601 (f)	Time deposits interest - Fund 688	297,972	555,168
1601 (a)	Time deposits interest - Fund 657	151,656	234,614
1601 (k)	Time deposits interest - Fund 614	93,797	214,095
1601 (l)	Time deposits interest - Fund 613	109,228	174,164
1601 (b)	Time deposits interest - Fund 905	11,087	22,809
1601 (q)	Time deposits interest - Fund 289	51,108	73,302
1601 (r)	Time deposits interest - Fund 285	51,477	97,493
1601 (d)	Time deposits interest - Fund 963	3,274	267
1601 (u)	Time deposits interest - Fund 609	130,222	223,097
1601 (c)	Time deposits interest - Fund 851	98,161	252,778
1601 (c)	Time deposits interest - Fund 626	113,341	0
1601 (c)	Time deposits interest - Fund 880	42,929	93,765
1601 (c)	Time deposits interest - Fund 881	125,307	372,424
1603	U.S./agency securities interest	147,044,390	134,160,656
1603 (f)	U.S./agency securities interest - Fund 688	2,493,607	2,582,509
1603 (a)	U.S./agency securities interest - Fund 657	1,192,799	1,080,553
1603 (k)	U.S./agency securities interest - Fund 614	752,798	905,365
1603 (l)	U.S./agency securities interest - Fund 613	868,255	775,212
1603 (b)	U.S./agency securities interest - Fund 905	87,364	97,539
1603 (q)	U.S./agency securities interest - Fund 289	404,104	325,033
1603 (r)	U.S./agency securities interest - Fund 285	408,618	456,993
1603 (d)	U.S./agency securities interest - Fund 963	28,571	2,619

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1603 (u)	U.S./agency securities interest - Fund 609	1,053,614	951,098
1603 (c)	U.S./agency securities interest - Fund 851	758,800	1,062,792
1603 (c)	U.S./agency securities interest - Fund 626	752,182	0
1603 (c)	U.S./agency securities interest - Fund 880	367,772	402,657
1603 (c)	U.S./agency securities interest - Fund 881	1,131,246	1,654,049
1605	Other investment interest	0	222,288
1610	Interest on loans	729,476	539,282
1614	Interest on receivables	44,466	52,499
1615	Interest on receivables - control	0	59
1616	Interest on settlements	40,772	383,918
1618	Other interest	462,973	1,868,339
1618 (c)	Other interest - Fund 880	118,318	108,323
1621	Penalties	12,967,821	12,352,397
1624	Settlements	571,324	424,508
1626	Court awards	1,726,800	1,934,990
1626 (a)	Court awards - Lottery Fund 657	60	0
1628	Insufficient funds charges	4,313	5,930
1634	Estates	611,436	1,083,195
1636	Unclaimed properties	22,358,117	45,077,183
1700 (i)	Salary refunds - federal	557,642	554,591
1701 (i)	Salary refunds - state	26,484	38,613
1702 (i)	Salary refunds - local/other	19,307	34,586
1703 (i)	General relief pension refunds	3,249,761	4,201,496
1704 (i)	Blind pension refunds	16,373	3,537
1706 (i)	Dependent children pension refunds	561,846	832,675
1715 (i)	Day care refunds	106,914	74,957
1717 (i)	Medicare - Medicaid refunds	136,935,781	165,727,710
1719 (i)	Cost in criminal cases refunds	234,418	215,732
1721 (i)	Vendor refunds - federal	699,732	1,118,740
1722 (i)	Vendor refunds - state	558,052	3,276,007
1723 (i)	Vendor refunds - local/other	72,613	94,418
1723 (c)	Vendor refunds - local/other - Fund 880	0	286
1724 (i)	Political subdivision refunds	143,011	70,992
1725 (i)	Excess court payment refunds	852,927	4,189,214
1727 (i)	School refunds	11,844,955	5,216,923
1728 (i)	Scholarship refunds	0	95
1729 (i)	Audit findings - federal	7,698	4,259
1730 (i)	Audit findings - state	15,421	9,199
1731 (i)	Audit findings - local/other	729,638	20,011
1732 (i)	Utility refunds	18,184	41,610
1733 (i)	Fuel tax refunds	170,120	576,386
1737 (i)	Other refunds	4,561,764	5,035,856
1737 (a)	Other refunds - Lottery Fund 657	0	98
1737 (c)	Other refunds - Fund 880	23,345,997	20,686,829

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1737 (c)	Other refunds - Fund 881	0	2,439,370
1806 (w)	Recovery costs	15,033,232	349,175,348
1806 (a)	Recovery costs - Lottery Fund 657	1,514	105
1806 (bb)	Intergovernmental transfer program	0	268,558,021
1808	Deposit of surplus property funds	609,879	620,614
1811 (z)	Local match	925,017	1,477,834
1812 (x)	Cost reimbursements - federal	2,015,773	1,160,857
1813 (x)	Cost reimbursements - state	16,532,344	14,381,969
1813	Cost reimbursements - state (included)	7,087,444	6,261,180
1814 (x)	Cost reimbursements - local/other	130,645,961	108,467,767
1814 (a)	Cost reimbursements - local/other - Lottery Fund 657	885	0
1814 (b)	Cost reimbursements - local/other - Alternative Care Trust Fund 905	3,351	0
1816	Bond account	2,557,222	2,627,652
1818 (v)	Employee expense reimbursement - federal	4,281	0
1819 (v)	Employee expense reimbursement - state	5	3,021
1820 (v)	Employee expense reimbursement - local/other	25	1,210
1821 (v)	Employee personal expense reimbursement	24,372	20,433
1821 (r)	Employee personal expense reimbursement - Riverboat gambling	3,186	0
1822 (n)	Outlawed checks	8,592,553	7,936,688
1822 (a)	Outlawed checks - Lottery Fund 657	3,142	2,383
1822 (b)	Outlawed checks - Alternative Care Trust Fund 905	4,256	6,081
1822 (c)	Outlawed checks - Fund 880	0	155
1824 (y)	Canceled checks	1,263,769	871,889
1824 (a)	Canceled checks - Lottery Fund 657	387	31,965
1824 (b)	Canceled checks - Alternative Care Trust Fund 905	553	1,622
1824 (r)	Canceled checks - Riverboat gambling	556	0
1826 (m)	Redeposit of investments principal	12,145,706	657,712
1828 (o)	Redeposit of loan principal	13,287,525	15,149,671
1830	Telephone commissions	11,469,797	5,943,277
1832	Commission on sales	51,954	35,803
1834	Rebates	5,448	5,238
1836	Housing and maintenance receipts	3,479	1,363
1838	Loan defaults	513,145	328,041
1840 (t)	Loan proceeds	13,249,721	22,606,398
1842 (o)	Loan repayment	6,166,999	602,914
1843 (o)	Loans receivable contra account	129,835	2,617,947
1844	Insurance proceeds	2,617	5,091
1846	Capital credits/dividends	29,944	30,657
1848	Recycling receipts	27,945	44,219
1850	Forfeitures	1,512,074	3,033,329
1852	Overpayments	1,539,353	5,068,247
1852 (c)	Overpayments - Fund 880	827	0
1856 (e)	Other miscellaneous receipts - federal	61,106,244	5,393,704
1856 (c)	Other miscellaneous receipts - federal	1,737,862	0

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
1858	Other miscellaneous receipts - state	1,617,468	1,434,587
1858 (a)	Other miscellaneous receipts - state - Lottery Fund 657	44,229	397,578
1858 (b)	Other miscellaneous receipts - state - Alternative Care Trust Fund 905	8,199,272	8,729,355
1860	Other miscellaneous receipts - local/other	1,627,330	2,396,445
1860 (a)	Other miscellaneous receipts - local/other - Lottery Fund 657	0	1,514,553
1860 (c)	Other miscellaneous receipts - local/other - Fund 880	128,014	4,988
1862	Fees for copying public records	152,086	185,997
1862 (a)	Fees for copying public records - Lottery Fund 657	313	75
1866	Federal share of grantee sales	110,794	106,075
1870	Receivable overpayment - state	220,516	96,719
6001 (j)	Supply sales	67,530	93,937
6002 (j)	Open records fees	0	6,089
6003 (j)	Fleet services operations/maintenance	721,178	875,272
6005 (j)	Fleet services replacement	1,636,100	2,384,772
6007 (j)	Mail/freight services	621,835	687,637
6009 (j)	Telephone billing	39,848,893	39,520,463
6011 (j)	Printing service	7,393,887	9,052,467
6013 (j)	Reimbursement/recovery cost	8,974,728	19,654,466
6013 (a)	Reimbursement/recovery cost - Lottery Fund 657	434	0
6015 (j)	Leased facility	8,879,871	4,097,501
6017 (j)	Sale of material, supplies, and services	925,324	1,334,035
6019 (j)	Training	904,425	1,437,495
6021 (j)	Computer services	28,938,164	26,720,271
6023 (j)	Administration services	275,080	1,168,731
6025 (j)	Flight operations services	475,376	616,370
6027 (j)	Sale of manufactured products	15,998,275	19,835,607
6029 (j)	Interagency receipts	11,491,580	22,398,199
6029 (c)	Interagency receipts - Fund 880	473,094	1,618,169
6031 (s)	Redeposit of state funds	6,562,452	1,486,316
6032 (j)	Deposit of unclaimed property	467	0
6033 (j)	Permits	0	43,550
6034 (j)	Registration fees	0	11,200
	Total revenues	15,871,288,352	17,360,765,801
Fund Exclusions:			
(a)	Lottery - Fund 657	280,018,514	260,168,655
(b)	Alternative Care Trust Fund - Fund 905	8,305,883	8,857,406
(c)	Student Loan Funds 626, 851, 880, and 881	47,033,257	55,590,657
(d)	Pansey-Johnson-Travis Memorial State Gardens Trust - Fund 963	31,845	2,886
Revenue Source Exclusions:			
(e)	Federal funds	5,139,478,016	5,463,603,838
(f)	Proposition C sales and use tax/interest	685,773,159	692,451,605
(g)	Proposition A gas tax and license fee increases	173,983,508	168,620,787
(h)	Bond sales	40,024,065	286,102,087

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES

Revenue Source Code	Type of Revenue	Year Ended June 30,	
		2000	2001
(i)	Refunds	161,382,638	191,337,607
(j)	Interagency sales and receipts	127,152,714	149,938,062
(k)	Soil and water sales and use tax/interest	35,593,567	36,350,444
(l)	Parks sales and use tax/interest	35,724,618	36,180,356
(m)	Redeposit of investment principal	12,145,706	657,712
(n)	Outlawed checks	8,592,553	7,936,688
(o)	Redeposit of loan principal	19,584,358	18,370,532
(p)	Amendment 8 motor fuel tax to local governments	150,023,029	145,184,278
(q)	Bingo	4,304,256	3,912,467
(r)	Riverboat gambling	228,094,683	235,326,043
(s)	Redeposit of state funds	6,562,452	1,486,316
(t)	Loan proceeds	13,249,721	22,606,398
(u)	Conservation sales and use tax/interest	88,069,338	89,259,471
(v)	State employee expense account reimbursement	28,683	24,664
(w)	Recovery costs	15,033,232	349,175,348
(x)	Cost reimbursements	149,194,077	124,010,593
(y)	Canceled checks	1,263,769	871,889
(z)	Local match	925,017	1,477,834
(aa)	Proceeds of surplus property sales (Fund 710)	573,282	1,148,683
(bb)	Intergovernmental transfer program	0	268,558,021
	CMIA Interest payment to the federal government	1,857,633	2,273,825
	Abandoned funds claim payments	8,058,274	10,460,281
	Agency remitted sales tax	134,708	367,471
	Total exclusions	7,442,196,555	8,632,312,904
	Total revenues after exclusions	8,429,091,797	8,728,452,897
	Less expenditure refunds (Exhibit C)	1,057,348,498	1,066,848,289
	Add refundable tax credits:		
	Pharmaceutical	0	75,816,984
	Business facility	0	1,483,509
	Enterprise zone	0	733,949
	Brownfield jobs and investment	0	4,360
	Total State Revenue	7,371,743,299	7,739,643,410

See the accompanying Notes to the Exhibits.

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30,	
		2000	2001
	SAM II Expenditure Refunds:		
3200	Bond refunds	\$ 2,290,015	1,704,132
3206	Deposit and escrow refunds	35,014	180,613
3215	Debt offset refunds	4,783,451	6,613,007
3218	Motor vehicle license fee refunds	824,338	997,810
3221	Driver's license fee refunds	131,228	115,466
3227	License and permit fee refunds	37,502	60,554
3230	Registration fee refunds	35,869	34,000
3233	Regulatory fee refunds	27,097	18,699
3236	Inspection fee refunds	82,817	45,521
3239	Miscellaneous fee refunds	529,580	236,658
3242	Sales refunds	10,333	8,866
3245	Lease and rentals refunds	0	4,341
3248	Medical services refunds	110,460	1,214,171
3251	Contributions refunds	0	31
3254	Federal refunds	551,070	150,671
3257	Penalty and court award refunds	163,510	2,915
3260	Interagency billing refunds	7	1,040
3261	Receivable overpayment refunds	20,470	18,192
3266	Missouri consolidated check off refunds	114,102	115,917
3267	Deferred revenue refunds	923,124	1,921,736
3268	Liability account refunds	0	37
3269	Other refunds	2,935,374	2,716,548
3272	Sales and use tax protested refunds	310,862	303,503
3281	County foreign insurance tax refunds	11,815,313	9,266,473
3287	Worker's compensation insurance tax refunds	1,171,372	1,669,902
3290	Worker's compensation second injury insurance tax refunds	498,879	149,025
3293	Cigarette tax refunds	62,268	38,834
3296	Tobacco products tax refunds	3,346	1,147
3299	Aviation fuel tax refunds	11,780	15,012
3302	Local use tax refunds	802,972	1,088,202
3305	Special fuel (non-gas) tax refunds	27,578,946	28,073,426
3308	Fuel tax refunds	14,487,597	16,149,402
3314	Food tax exemption refund	0	68,640
3317	General sales and use tax refunds	58,164,070	52,010,496
3326	Motor vehicle sales tax refunds	4,313,818	4,717,383
3329	Motor vehicle use tax refunds	1,055,465	1,054,069
3335	Boat tax refunds	8,913	7,069
3338	Individual tax refunds	605,213,858	606,892,031
3341	Senior citizens tax refunds	56,623,024	101,523,061
3342	Pharmaceutical tax refunds	64,769,058	75,816,984
3344	Corporation tax refunds	189,693,766	138,494,719

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS

Object Code	Description	Year Ended June 30,	
		2000	2001
3347	Franchise tax refunds	1,773,529	9,870,716
3350	Inheritance tax refunds	2,904,538	3,195,179
3356	Other tax refunds	8,550	282,091
	Total SAM II Expenditure Refunds	1,054,877,285	1,066,848,289
	SAM Expenditure Refunds (Lapse Period)		
2530	Expense and equipment miscellaneous refund	378,671	0
2905	Sales tax refund	612,264	0
2906	Local use tax refunds	(16,772)	0
2910	Motor vehicle sales tax refunds	(2)	0
2930	Individual tax refunds	(43,872)	0
2935	Senior citizens tax refunds	0	0
2940	Corporation tax refunds	(228,990)	0
2945	Franchise tax refunds	98,506	0
2950	Regular fuel tax refunds	16,075	0
2970	Drivers license fee refunds	2,273	0
2975	Other tax refunds	1,497,136	0
2980	Miscellaneous refunds	155,924	0
	Total SAM Expenditure Refunds	2,471,213	0
	Total Expenditure Refunds	\$ 1,057,348,498	1,066,848,289

See the accompanying Notes to the Exhibits.

NOTES TO THE EXHIBITS

REVIEW OF ARTICLE X, SECTION 16 THROUGH 24
CONSTITUTION OF MISSOURI
NOTES TO THE EXHIBITS

1. Refunds paid for the year ended June 30, 1998, totaled \$178,843,080 which included \$166,740,970 for 1998 plus \$12,102,110 due from the prior years of 1995, 1996, and 1997. Of the amount due from prior years, \$12,071,930 related to the court decision that payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats should be included in total state revenue. The remaining \$30,180 related to various minor adjustments for 1995, 1996, and 1997.
2. The state implemented a new accounting system (SAM II) beginning with fiscal year 2000. The coding structure (chart of accounts) was significantly changed under SAM II. As a result, revenue and expenditure refunds by type for fiscal years prior to SAM II are not comparable with SAM II information. As a result, revenues and expenditure refunds by type are not presented for years prior to fiscal year 2000.
3. Expenditure refunds are excluded from total state revenue on the cash basis of accounting, which means all refunds paid from July 1 through June 30. Expenditure refunds include those paid from the state's new accounting system (SAM II) starting on July 1, 1999 and ending June 30, 2000, and refunds paid from the old accounting system (SAM) during the lapse period of fiscal year 1999 (July 1, 1999 through August 31, 1999).

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 20XX	= $\frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personalincome (MPI)}}$ x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 20XX or Average MPI for three CYs preceding FY 20XX.
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The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows:

$$\frac{2,232.204096}{39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo 2000, which was effective on July 1, 1981. In past years the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. The Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain funds are entirely excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

B. Alternative Care Trust Fund

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo 2000. The Division of Family Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

C. State Guaranty Student Loan Funds

Federal legislation in August 1997 made changes in the accounting required for federal education loans. Starting in state fiscal year 1998, the federal government considers all monies in these funds as property of the federal government. As a result, the state excludes these funds held in trust for the federal government.

D. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

E. Federal Funds

Article X, Section 17 specifically excludes federal funds.

F. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

G. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded.

H. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

I. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

J. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

**K. Soil and Water Sales and Use Tax\Interest
and**

L. Parks Sales and Use Tax\Interest

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

M. Redeposit of Investment Principal

The redeposit of investment principal is excluded.

N. Outlawed Checks

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

O. Redeposit of Loan Principal

Redeposits of loan principal are excluded.

P. Amendment 8 Motor Fuel Tax to Local Governments

In August 1992, the voters approved an amendment to Article IV, Section 30(a) which revised the apportionment of the motor fuel tax. In addition, the amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is

excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded.

Q. Bingo

The August 1992 amendment to Article III, Section 39(d) related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo 2000 requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

R. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee that is remitted to the "home dock city or county" is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eight of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

W. Recovery Costs

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Regarding items W. and X., the state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. Although the constitution does not specifically mention cost reimbursements and recovery costs and they have not been the subject of a court decision, we have agreed with such exclusions because from an accounting standpoint, they would not be considered revenue. It should be noted that had both cost reimbursements of \$124.01 million and recovery costs of \$349.17 million been included in TSR for fiscal year 2001, no refund would have been due to the taxpayers.

Y. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

Z. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

AA. Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

BB. Intergovernmental Transfer Program

Starting in fiscal year 2001 the state participated in the Medicaid intergovernmental transfer (IGT) program. Under the IGT program the state was able to receive additional federal Medicaid matching funds based on enhanced payments to some government operated health care providers. The state made the enhanced payments to the providers and, after the state claimed the federal matching funds, the providers returned the enhanced payments to the state. The returned funds were coded in the state's accounting system to revenue source code 1806 - recovery costs and totaled \$286.6 million. Because these funds were simply returned to the state, similar to a refund, they are excluded from TSR.

Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Abandoned Funds Claim Payments

Under Section 447.543, RSMo 2000, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Expenditure Refunds

According to Article X, Section 17(1), total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of

January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

Tobacco Master Settlement Agreement Proceeds

The OA-BP has excluded \$338,230,653 received from tobacco companies during fiscal year 2001. The Master Settlement Agreement was entered into effective November 23, 1998, between the major cigarette manufacturers and the states' Attorney Generals. Missouri received its first payments under the settlement agreement during fiscal year 2001, and future payments from tobacco companies extend in perpetuity. The \$338,230,653 received in 2001 included amounts under the settlement agreement for 1998, 2000, and 2001. The settlement agreement did not require a payment for 1999. The total amount received in 2001 was coded in the state's accounting system to revenue source code 1806 - recovery costs, which is excluded from TSR. Recovery costs are defined under revenue source code 1806 as, *"all monies received from others for costs incurred or to be incurred by the state."* The OA-BP believes these receipts should be excluded from TSR because the amounts represent a recovery of health care costs previously incurred or to be incurred by the state attributable to smoking.

Public information was not readily available to determine if the amounts recovered from the tobacco companies under the master settlement agreement were more or less than the health care costs incurred. We performed audit procedures to determine if outside information was available related to the amount of medical costs incurred by the state related to smoking. We determined that three extensive research projects had been conducted by experts. All three projects used the same sources of data and created statistical models from the following data sets:

- (1) National Medical Expenditure Survey (NMES-2, 1987), a face-to-face survey of 35,000 persons from 14,000 households that linked population characteristics with health care and related costs, conducted by the Health Care Financing Administration (HCFA).
- (2) Current Population Survey (CPS, 1993), a survey conducted by the Census Bureau.
- (3) Behavioral Risk Factor Surveillance System (BRFSS, 1993), a telephone survey of health risks and medical care conducted by the Center for Disease Control and state health departments.

Although the information and methods of research varied between the three experts, they all had the same goal of calculating the smoking attributable fraction of medical costs. The research projects used information from HCFA-64 reports which present Medicaid program costs by type of service. The researchers grouped these costs into more general categories to coincide with the NMES-2.

The following tables compare information from the three research projects we analyzed. To be conservative, we compared the three projects using the same criteria and excluded costs for various types of services on the HCFA 64 reports. For example, one project included dental health services and the other two projects excluded those costs, so we excluded dental costs from all three calculations. In addition, one project excluded costs for children under 19 years old, so we excluded

those costs from all three calculations. Although some of the research projects allocated insurance costs to the various other categories (hospital, physician, drugs, nursing home, home health and other), we excluded all insurance costs.

Total Medicaid Costs by Category

Description	2001	2000	1999	1998
Total (in \$1,000)	\$ 4,504,883	3,941,886	3,588,000	3,252,799
Exclusions:				
Under 19 years old	(297,730)	(267,972)	(241,869)	(207,779)
Mental health	(362,066)	(372,115)	(359,597)	(352,521)
Dental	(12,653)	(7,480)	(7,522)	(9,493)
Sterilizations and abortions	(2)	(2)	(1,160)	(3,319)
Insurance	<u>(705,475)</u>	<u>(619,823)</u>	<u>(543,911)</u>	<u>(521,348)</u>
Remainder	\$ <u>3,126,957</u>	<u>2,674,494</u>	<u>2,433,941</u>	<u>2,158,339</u>
Hospital	\$ 831,979	806,047	785,248	687,515
Nursing home	926,586	701,821	691,002	669,090
Ambulatory (physician)	365,563	315,686	262,995	212,765
Drugs	482,773	420,769	341,328	275,790
Home health and other	<u>520,056</u>	<u>430,171</u>	<u>353,368</u>	<u>313,179</u>
Total	\$ <u>3,126,957</u>	<u>2,674,494</u>	<u>2,433,941</u>	<u>2,158,339</u>

Medicaid Costs Attributable to Smoking Study 1

Description	Total	Hospital	Nursing home	Ambulatory (physician)	Drugs	Home Health and other
Smoking attributable fraction	7.50%	6.60%	6.60%	7.70%	2.60%	7.00%
Medicaid costs attributable to smoking (in \$1,000):						
2001	\$ 200,657	62,398	61,155	28,148	12,552	36,404
2000	172,133	60,453	46,320	24,308	10,940	30,112
1999	158,361	58,894	45,606	20,251	8,874	24,736
1998	141,200	51,564	44,160	16,383	7,170	21,923

**Medicaid Costs Attributable to Smoking
Study 2**

Description	Total	Hospital	Nursing home	Ambulatory (physician)	Drugs	Home Health and other
Smoking attributable fraction		4.41%	20.39%	8.99%	6.47%	5.07%
Medicaid costs attributable to smoking (in \$1,000):						
2001	\$ 316,087	36,690	188,931	32,864	31,235	26,367
2000	256,062	35,547	143,101	28,380	27,224	21,810
1999	239,167	34,629	140,895	23,643	22,084	17,916
1998	219,596	30,319	136,427	19,128	17,844	15,878

**Medicaid Costs Attributable to Smoking
Study 3**

Description	Total	Hospital	Nursing home	Ambulatory (physician)	Drugs	Home Health and other
Smoking attributable fraction		10.90%	14.26%	9.28%	10.90%	7.05%
Medicaid costs attributable to smoking (in \$1,000):						
2001	\$ 346,027	90,686	132,131	33,924	52,622	36,664
2000	293,426	87,859	100,080	29,296	45,864	30,327
1999	270,652	85,592	98,537	24,406	37,205	24,912
1998	242,236	74,939	95,412	19,745	30,061	22,079

Study 1 - Center for Disease Control, 1994 (Smoking attributable fractions for the United States for all medical care costs. Calculations by state and for the Medicaid program were not made in this study).

Study 2 - Berkeley Economic Research Associates, Vincent Miller, et. al., 1997 (Smoking attributable fractions for Medicaid program costs in Missouri).

Study 3 - University of California at Berkeley, Leonard Miller, et. al., 1998 (Smoking attributable fractions for all medical costs in Missouri. Calculations for the Medicaid program were not made in this study).

Our analysis of these three research projects shows that Medicaid costs attributable to smoking were higher than the amount the state received from the tobacco companies under the settlement agreement. As a result, it appears proper for the OA-BP to consider the entire \$338,230,653 received during fiscal year 2001 as a recovery of Medicaid costs attributable to smoking. We limited our analysis to Medicaid costs incurred in fiscal years 1998 through 2001. We did not consider Medicaid costs from past years prior to 1998. In addition, we did not consider other costs incurred by the state, such as employee health care costs attributable to smoking.

The OA-BP should determine what costs the state should consider as attributable to smoking to ensure all monies received from tobacco companies under the settlement agreement are recovery costs.

WE RECOMMEND the OA-BP determine what costs the state should consider as attributable to smoking to ensure all monies received from tobacco companies under the settlement agreement are recovery costs.

AUDITEE'S RESPONSE

The Office of Administration believes that the state has incurred substantial costs due to tobacco use in areas other than the Medicaid program. These include, but are not limited to, specific payments and premiums paid in the various state employee health care systems and consideration of the present value of the past costs.

Missouri state government has been paying for tobacco related costs for decades. Historical data exist on costs related to smoking and tobacco use in the Medicaid program. The Office of Administration agrees that the reports cited by the State Auditor were done by credible sources and that they provide appropriate data for developing estimates of some of the damage caused by tobacco use.

The Office of Administration agrees that it will complete additional analysis or work to ensure the availability of the additional information recommended for the fiscal year 2002 audit of total state revenues.

This report is intended for the information of the management and applicable officials of the state. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.

(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual

returns filed following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e).1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after the effective date of this section that increase the rate of any existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this

section. The court shall order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations.

Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivisions shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).

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